# Department of Water Resources

JLBC: Shelli Carol OSPB: Keith Fallstrom

	FY 2003	FY 2004	FY 2005	
DESCRIPTION	ACTUAL	ESTIMATE	OSPB	JLBC
OPERATING BUDGET				
Full Time Equivalent Positions	192.2	189.7		189.7
Personal Services	7,586,500	6,993,300		6,993,300
Employee Related Expenditures	1,787,900	1,981,900		1,981,900
Professional and Outside Services	544,100	610,200		610,200
Travel - In State	240,900	308,700		308,700
Travel - Out of State	19,500	30,000		30,000
Other Operating Expenditures	2,418,800	2,661,500		2,661,500
Equipment	513,400	289,700		289,700
OPERATING SUBTOTAL	13,111,100	12,875,300		12,875,300
SPECIAL LINE ITEMS				
Arizona Water Protection Fund Deposit	0	0		0
Rural Water Studies	475,300	500,000		500,000
Water Banking	0	500,000		500,000
AGENCY TOTAL	13,586,400	13,875,300		13,875,300
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FUND SOURCES General Fund	13,586,400	13,875,300		13,875,300
SUBTOTAL - Appropriated Funds	13,586,400	13,875,300		13,875,300
Other Non-Appropriated Funds	34,343,300	28,660,400		26,836,700
Federal Funds	512,100	571,600		180,700
TOTAL - ALL SOURCES	48,441,800	43,107,300		40,892,700
CHANCE IN EVENDING CHANA A DV		EV 2004 ( EV 2	2005 H D.C.	
CHANGE IN FUNDING SUMMARY		FY 2004 to FY 2		
~	_	\$ Change	% Change	
General Fund	_	0	0.0%	
Total Appropriated Funds		0	0.0%	
Non Appropriated Funds	_	(2,214,600)	(7.6%)	
Total - All Sources		(2,214,600)	(5.1%)	

**AGENCY DESCRIPTION** — The department administers and enforces Arizona's groundwater code, administers surface water rights laws, and represents Arizona's water rights with the federal government. The department also inspects dams and participates in flood control planning.

	FY 2003	FY 2003	FY 2004	FY 2005
PERFORMANCE MEASURES	Appropriation	Actual	Appropriation	Recommend.
<ul> <li>Per capita water use in Active Management Areas (Acre Feet)</li> </ul>	2.74	2.74	2.74	2.74
• % of Colorado River entitlement used	94	100	100	100
• % of Arizona's unused Colorado River entitlement that is recharged via the Water Banking Authority	88	95	95	95
<ul> <li>Number of dams in a non emergency unsafe condition</li> </ul>	15	15	13	13
• % of rural watershed studies contract deliverables completed and accepted	100	100	100	100
• % of agency staff turnover	12	6	6	6
<ul> <li>Administration as a % of total cost</li> </ul>	11.8	4.7	5.5	4.7
• Customer satisfaction rating for Hydrology Program (Scale 1-8)	6.0	8.0	7.7	8.0

#### **RECOMMENDED CHANGES FROM FY 2004**

#### **Operating Budget**

The JLBC recommends \$12,875,300 from the General Fund for the operating budget in FY 2005. This amount is unchanged from FY 2004.

Lease Costs GF \$0

The JLBC recommends no change from the General Fund for increased lease costs. The agency would absorb a FY 2005 lease increase of \$14,200 within its Other Operating Expenditures. Within its budget, the agency has the discretion to shift these monies from other line items.

# Special Line Items

# Arizona Water Protection Fund Deposit

The JLBC recommends \$0 from the General Fund and a session law change to A.R.S. § 45-2112 to suspend the statutory \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2005. This amount is unchanged from FY 2004.

The Arizona Water Protection Fund, administered by the Water Protection Fund Commission, provides grants to organizations for the preservation, enhancement, and restoration of rivers, streams, and riparian environments. A.R.S. § 45-2112 requires an annual \$5,000,000 General Fund appropriation to the fund. In FY 2004, a session law statutory change eliminated the appropriation to this fund.

## Rural Water Studies

The JLBC recommends \$500,000 from the General Fund for Rural Water Studies in FY 2005. This amount is unchanged from FY 2004.

Monies in this Special Line Item are used to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's Active Management Areas (AMAs). The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance.

### Water Banking

The JLBC recommends \$500,000 from the General Fund for Water Banking in FY 2005. This amount is unchanged from FY 2004.

However, in FY 2004, the Department of Water Resources (DWR) has shifted this General Fund appropriation from Water Banking to its Operating Budget. DWR also plans to use these monies for operating expenditures, rather than

for Water Banking, in FY 2005. The JLBC recommendation continues to display these funds in the Water Banking SLI, per the intent of the Legislature as provided by the FY 2004 General Appropriation Act. The JLBC also recommends a new footnote requiring DWR to report on its use of this appropriation. (See New Footnotes for more information.)

This Special Line Item primarily funds the storage of dependable future water supplies for any county requiring distributions above its normal allotment. For each acrefoot of water purchased and stored with General Fund monies, the state receives a credit. Counties can use these credits to pump stored water if their needs exceed their usage allotment. The state's AMAs also purchase water storage credits with groundwater withdrawal fees and a portion of the 4% property tax collected by the Central Arizona Project. Rural counties receive credits solely through expenditure of General Fund monies.

The Arizona Water Banking Authority (AWBA) seeks to fully utilize Arizona's allocation of Colorado River water by using the Central Arizona Project to store water for the state's future needs. The AWBA is financed from the Arizona Water Banking Fund, which covers delivery of the state's unused allocation into central and southern Arizona for underground storage or irrigation in lieu of pumped groundwater. Fund expenditures are not subject to legislative appropriation, but AWBA rules require all contributions by an AMA to be used only for projects benefiting that AMA.

Monies in this Special Line Item may also fund other state water management objectives and Native American water rights settlements.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

# JLBC RECOMMENDED FOOTNOTES

New Footnotes

The department shall report to the Joint Legislative Budget Committee by August 1, 2004 the uses of the \$500,000 General Fund Water Banking Special Line Item in FY 2004 and its intent for that appropriation in FY 2005. (See the Water Banking Special Line Item for more information.)

# JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends a session law change to A.R.S. § 45-2112 to suspend the statutory \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2005. (See the "Arizona Water Protection Fund Deposit" policy issue for more information.)

SUMMARY OF FUNDS

FY 2003
FY 2004
Actual
Estimate

Administrative (WCA3025/A.R.S. § 45-113)

Non-Appropriated

Source of Revenue: A portion of various fees paid to the department is deposited in this fund.

**Purpose of Fund:** To refund excess fees paid to the department in error.

Funds Expended00Year-End Fund Balance2,3000

Augmentation and Conservation Assistance (WCA2213/A.R.S. § 45-615)

Non-Appropriated

Source of Revenue: A portion of fees for groundwater withdrawal in active water management areas.

**Purpose of Fund:** For developing water supply augmentation projects, such as groundwater recharge projects, and for conservation programs in active water management areas. Various statutes require the director to distribute the funds to the Active Management Areas, to the Tucson Augmentation Authority, and to any groundwater replenishment districts that may be established. The Year-End Fund Balance represents a cash balance only and does not reflect monies already obligated for grants.

 Funds Expended
 1,894,500
 179,200

 Year-End Fund Balance
 3,993,700
 3,245,800

Dam Repair (WCA2218/A.R.S. § 45-1212.01)

Non-Appropriated

Source of Revenue: Repayments for emergency remedial measures undertaken by the department, dam safety inspection fees, repair fees, and legislative appropriations.

**Purpose of Fund:** For emergency remedial measures on privately owned dams as necessary to protect life and property. Also used to make loans and grants to private dam owners for costs of non-emergency repairs.

 Funds Expended
 192,900
 60,000

 Year-End Fund Balance
 1,433,100
 43,100

Federal Grants (WCA2000/A.R.S. § 45-105)

Non-Appropriated

**Source of Revenue**: Grants from the federal government.

Purpose of Fund: For border water issues and to assist communities with federal flood insurance requirements.

 Funds Expended
 512,100
 571,600

 Year-End Fund Balance
 36,300
 38,600

Flood Warning System (WCA1021/A.R.S. § 45-1503)

Non-Appropriated

Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.

**Purpose of Fund:** To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.

 Funds Expended
 43,100
 0

 Year-End Fund Balance
 100
 100

General Adjudications (WCA2191/A.R.S. § 45-260)

Non-Appropriated

 $\textbf{Source of Revenue}: \ \ \text{Fees for publications and reproductions}.$ 

Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants.

 Funds Expended
 69,600
 75,000

 Year-End Fund Balance
 299,800
 424,800

Indirect Cost Recovery (WCA9000/A.R.S. § 45-104)

Non-Appropriated

**Source of Revenue:** Transfers from federal and other non-appropriated funds.

**Purpose of Fund:** To provide for various indirect administrative costs.

 Funds Expended
 949,400
 1,066,900

 Year-End Fund Balance
 616,700
 382,100

SUMMARY OF FUNDS	FY 2003	FY 2004
	Actual	Estimate

## Interagency Service Agreement (WCA2500/A.R.S. § 35-142)

Non-Appropriated

**Source of Revenue:** Grant from the Arizona Department of Administration.

Purpose of Fund: Monies are used to provide space and administrative support for Arizona Government University.

 Funds Expended
 451,400
 60,000

 Year-End Fund Balance
 170,300
 170,300

## Production and Copying (WCA2411/A.R.S. § 45-115)

Non-Appropriated

**Source of Revenue:** Payment for the production of publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund.

**Purpose of Fund:** For the costs of producing and copying department publications and records.

 Funds Expended
 45,200
 50,000

 Year-End Fund Balance
 17,300
 17,3008

### Publications and Mailings (WCA2410/A.R.S. § 45-116)

Non-Appropriated

Source of Revenue: Payment for the publication and mailing of legal notices required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund

**Purpose of Fund:** To provide for the department's expenditures in publishing and mailing legal notices.

 Funds Expended
 16,600
 15,000

 Year-End Fund Balance
 5,200
 5,200

#### Purchase and Retirement (WCA2474/A.R.S. § 45-615)

Non-Appropriated

Source of Revenue: Monies received to purchase and retire grandfathered groundwater rights.

Purpose of Fund: To purchase and retire groundwater rights owned prior to the 1980 Groundwater Code.

Funds Expended00Year-End Fund Balance5,2005,200

# State Water Storage (WCA2287/A.R.S. § 45-897.01)

Non-Appropriated

**Source of Revenue:** As of January 1, 1997, the only revenue source to this fund is interest on investments. Prior to that date, the fund received property taxes levied by the multi-county water conservation districts. These taxes are now directed to the State Water Banking Fund.

**Purpose of Fund:** For the costs of approved underground water storage demonstration projects. The fund may be used for purchasing excess Central Arizona Project water. The Department of Water Resources provides administrative support for this fund, but control of expenditures is vested in the Central Arizona Water Conservation District.

 Funds Expended
 8,714,000
 2,400,000

 Year-End Fund Balance
 4,648,300
 2,408,300

#### Arizona Water Banking (WCA2110/A.R.S. § 45-2425)

Non-Appropriated

**Source of Revenue:** General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. The Legislature appropriated \$500,000 in both FY 2003 and FY 2004. The fund also receives a portion of the 4% property tax collected by the Central Arizona Project to pay for water storage. This fund operates on a calendar year. Because the fees and taxes are collected at the end of the fiscal year, the fiscal year-end balance is not reflective of the calendar year-end balance.

Purpose of Fund: For the purchase and storage of the unused portion of Arizona's Colorado River water allotment.

Funds Expended from the General Fund	500,000	500,000
Other Funds Expended	18,065,900	22,963,800
Year-End Fund Balance	40,502,600	41,913,800

SUMMARY OF FUNDS	FY 2003	FY 2004
SUMMARY OF FUNDS	Actual	Estimate

#### Arizona Water Protection (WCA1302/A.R.S. § 45-2111)

Non-Appropriated

**Source of Revenue:** General Fund appropriations, revenues from water purchased or leased to out-of-state customers, and interest on investments. In both FY 2003 and FY 2004, a session law statutory change eliminated the General Fund appropriation to this fund.

**Purpose of Fund:** To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines the annual recipients. The Department of Water Resources provides administrative support to the commission. The Year-End Fund Balances are cash balances and do not reflect amounts obligated on outstanding grants.

 Funds Expended
 2,809,400
 680,000

 Year-End Fund Balance
 7,807,200
 523,800

# Arizona Water Quality (WCA2304/A.R.S. § 45-618)

Non-Appropriated

**Source of Revenue**: An annual \$800,000 transfer originating from the Water Quality Assurance Revolving Fund (WQARF) and administered by the Arizona Department of Environmental Quality (ADEQ), as well as interest on fund monies.

**Purpose of Fund:** To inspect wells for vertical cross-contamination of groundwater with hazardous substances and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with ADEQ's WQARF program.

 Funds Expended
 1,091,300
 647,300

 Year-End Fund Balance
 597,300
 454,900

# Well Administration and Enforcement (WCA9502/A.R.S. § 45-606)

Non-Appropriated

Source of Revenue: Notice of Intention to Drill fees paid to the department.

**Purpose of Fund:** For enforcement of well drilling regulations.

 Funds Expended
 0
 463,200

 Year-End Fund Balance
 58,900
 55,700

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